

Testimony of
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“Democracy in Latin America: Successes, Challenges and the Future”

Introduction

Mr. Chairman, Members of the Committee, I am pleased to have this opportunity to voice USAID’s concerns for Latin America and Caribbean (LAC) democratic progress and draw your attention to the successes, challenges and future of our region. In September of last year, I was able to speak before this very same committee on “Hot Spots” in Latin America and the United States Agency for International Development’s (USAID) democracy assistance programs. I greatly appreciate the opportunity to appear before you again today to update you on these critical issues.

In May 2006, while speaking to Uruguay’s President Tabare Vazquez, President Bush reiterated the United States’ commitment to promoting justice and prosperity in Latin America. The strong economic, cultural, and geographic ties between the United States and the countries of the Western Hemisphere make their political and economic stability of vital interest to the United States and underscore why USAID remains committed to promoting strong and prosperous democracies in Latin America. As Secretary of State Rice has emphasized, democracy is fundamental to securing all of our national interests in Latin America. It is a vital precedent for generating broad-based, sustainable economic growth; improving livelihoods through investments in health and education; and preventing crime, terrorism, and conflict.

Latin America’s democratic transition has strengthened public institutions and brought economic stability to what was once a war-torn and crisis-prone region. Now in a majority of Western Hemisphere countries there are elected civilian governments, peaceful presidential transitions, and relatively free and independent media; and all but one country in the region, Cuba, have

democratically elected governments. Latin America is undergoing a wave of electoral cycles, and will witness over ten presidential elections this year alone.

Nevertheless, USAID believes that democratic rule in Latin America is not yet consolidated and continues to be threatened by corruption, weak rule of law, ineffective governance, rising crime and gang violence, and endemic poverty and inequality. Democratically elected governments throughout the region are still unable to meet citizens' demands for improved services, economic opportunities and security.

USAID-funded surveys on regional attitudes toward democracy have found that citizens in many countries, especially the Andes, are deeply skeptical of their governments' legitimacy, in part due to high levels of corruption and in part due to high levels of crime; and they are rightfully questioning their government's inability to deliver on their demands. The most discredited institutions are also among the most important ones in a democracy – political parties, legislatures, judicial entities and law enforcement. Moreover, in some of the region's most poverty-stricken countries, citizens seeking radical change are supporting populist leaders whose policies may threaten the democratic institutions and practices that took the region so long to attain. Already in several countries economic nationalism is hindering private investment and free markets, and more centralized power is threatening the continuation of representative democracy.

Challenges to democracy come as no surprise given the vast levels of inequality and poverty in Latin America. The region is the most unequal in the world in terms of income disparity and is also one of the most impoverished, despite increases in per capita income over the last decade. According to a 2006 World Bank study, close to 25 percent of the population lives on less than two dollars a day.

We at USAID believe that our work is critical to meeting the aforementioned challenges and consolidating democratic gains in the hemisphere. Some of the complex challenges ahead are surfacing in Bolivia, Cuba, Haiti, Nicaragua, Venezuela, Ecuador and Peru.

Bolivia

In Bolivia, Evo Morales and his Movement toward Socialism (MAS) party have continued to waver on economic policy, democracy, and counternarcotics. Morales and his MAS party not only won the presidency and a majority of seats in both houses of Congress, they also won a third of the state governorships (prefectures). Overall, the electoral process was a victory for democracy. However, preserving balanced power in a democratic system of government will be Bolivia's greatest challenge.

The new Bolivian government has, on several occasions, demonstrated inclinations to consolidate executive power and promote potentially anti-democratic reforms through the Constituent Assembly and other means. On May 1, President Morales moved to nationalize the nation's natural resources, including its energy sector. In addition, there is serious concern about the executive branch meddling in

judicial and electoral affairs. The upcoming Constituent Assembly, which is scheduled to begin in August of this year, will test the strength and robustness of the country's democratic practices.

USAID is focusing assistance to Bolivia on programs that strengthen vibrant and effective democracies, including the support of counterweights to one-party control such as judicial and media independence, a strong civil society, and educated local and state level leaders. In Bolivia, each of these groups contributes to the oversight of all democratic institutions, including the Constituent Assembly. USAID is also promoting good governance by helping newly elected state leaders to manage their budgets transparently, increase their accountability and engage their constituents effectively. This will help raise their national profiles and strengthen democratic institutions.

Cuba

President Bush, again on May 20, 2006, reaffirmed U.S. government support to the Cuban people to help promote a rapid, peaceful transition to democracy in Cuba. The Castro regime continues to deny Cuban citizens the most fundamental human rights of freedom of speech, freedom of assembly, freedom to organize independent labor unions and political parties, freedom of religion, and other freedoms contained in the United Nations Declaration on Human Rights. Amnesty International, in its May 2006 Annual Report, cites the Castro regime's harassment and intimidation of Cuban human rights activists, especially through violent attacks by the government's "rapid-response brigades," in collusion with members of State security. Similarly, Freedom House lists Cuba among the eight most repressive regimes with failing scores in political rights and civil liberties.

The USAID Cuba program works closely with the Department of State's Cuba Transition Coordinator and the Bureau for Western Hemisphere Affairs to help strengthen Cuba's independent civil society by increasing the flow of accurate information on democracy, human rights, and free enterprise to, from, and within Cuba. Since 1996, USAID has granted more than \$48 million to U.S. universities and nongovernmental organizations to build solidarity with Cuba's human rights activists, give voice to Cuba's independent journalists, defend the rights of Cuban workers, strengthen independent Cuban nongovernmental organizations, and help the Cuban people plan for a transition to democracy.

Haiti

Historically plagued by endemic poverty and political instability, Haiti is now at a crossroads. The installation of Rene Preval's administration marks the resumption of constitutional governance in Haiti. After numerous obstacles and postponements, free and fair presidential and parliamentary elections took place on February 7, 2006, with a high turnout. In May, Preval was sworn in as Haiti's first democratically elected president since the ousting of former president Jean Bertrand Aristide in 2004, and on May 22 Preval nominated Jacques Edouard Alexis to be Haiti's Prime Minister. Haiti's newly-elected Parliament will also be convening for the first time since 2004. USAID worked closely with the United Nations Stabilization Mission in Haiti to

coordinate \$31 million in direct elections support, electoral administration, registration, observation and monitoring, as well as assistance to legitimate political parties and civil society organizations.

USAID is committed to working with the new government of Haiti to help build a stable and well-governed state that is responsive to the needs of its people. Mindful of the need for economic development, USAID is supporting the provision of short-term emergency jobs while helping create the conditions for longer term growth and improved health and education services. USAID will work with the newly elected Haitian Parliament to strengthen institutional capacity and encourage participatory democracy as a counterbalance to centralized patronage politics. In the critical rule of law sector, USAID is working to reform the justice system and improve access to justice.

Nicaragua

Elections in Nicaragua will be held on November 5, 2006 for president, vice president, members of the National Assembly and delegates to the Central American Parliament. The country's two main political parties, the Sandinistas and the Liberals, maintain control of the legislature, judiciary, and the Supreme Electoral Council (CSE), and continue to manipulate electoral processes. Daniel Ortega, Nicaragua's former President and now both Presidential hopeful and Sandinista party leader, retains an anti-U.S. worldview and has worked to undermine the executive branch and democratic processes. Ortega also has made a deal with Venezuela for supplies of oil to Sandinista-controlled municipalities at preferential financing rates. Former President Arnoldo Alemán maintains control as the leader of the Liberal party.

Considering the Sandinistas and Liberals control the CSE, there is a lack of public confidence in that institution's handling of the electoral process and in whether or not presidential elections will be handled impartially. However, it is important to note that these concerns are not new. Based on a review of previous electoral assistance and international observation missions from Nicaragua's 1990 elections onwards, it is clear that a lack of public confidence in the electoral framework, mistrust in political party processes, inaccurate voter registration lists, weak election monitoring, and limited organizational capacity are all recurring problems.

USAID is working to address these challenges through a multifaceted approach. We coordinate with a variety of international donors and organizations—including the Government of Nicaragua, the Organization of American States (OAS), and local nongovernmental organizations—to support voter education activities, update voter registries, deliver voter identification cards, and provide mediation and citizen assistance centers, in addition to domestic and international election observers. Programs are designed to reduce the opportunities and incentives for electoral fraud, identify and address problems with electoral processes, and legitimize a peaceful transfer of power.

USAID also continues to support anticorruption initiatives and justice sector reform in Nicaragua, efforts that will help strengthen democratic institutions and ensure that democratic principles prevail in the post-electoral environment. With USAID's help, Nicaragua now has

one of the best Criminal Procedure Codes in the region. USAID is also helping establish mediation centers nationwide to help alleviate congestion in the court system, improve access to justice, and enhance public confidence in the justice system.

Venezuela

President Hugo Chavez's strident anti-American posture has left Venezuela bitterly divided. Moreover, increased control by the Venezuelan executive branch over the country's five branches of government threatens the continuation of representative democracy. While Chavez's supporters praise his expansion of social programs bolstered by oil revenue surplus, his opponents argue that his authoritarian tactics reflect those of communist Cuba. Presidential elections will take place in December 2006, and opposition groups have not managed to unite behind a strong candidate. Meanwhile, the projection of Chavez's interests and his brand of populism are undermining many of the region's fragile democracies.

USAID's work in Venezuela is handled through our Office of Transition Initiatives. Our objectives are to provide assistance to maintain democratic stability and strengthen the country's fragile democratic institutions by enhancing civil society dialogue, supporting constitutional processes, and strengthening democratic institutions. USAID supports existing civil society organizations that work on a variety of issues, including human rights, freedom of the press, freedom of speech, and legislative and judicial system monitoring. Nongovernmental organizations are key institutions in a vibrant democratic society and are central to a healthy exchange of ideas. The institutional support provided will help these civil society groups play this essential role in Venezuela.

USAID's social impact programs demonstrate our government's solidarity with the global fight against poverty and reinforce the favorable impression most Venezuelans have of the American people. Specifically, these projects support inner-city day-care centers; cancer hospices for children of low-income families; and centers for street children.

USAID's election-related activities in Venezuela include training candidates, campaign managers, and other political party workers on the mechanics of electoral campaigns. Training topics include helping candidate's develop profiles and policy presentations; get-out-the-vote and day-of-the-vote activities; and understanding relevant electoral laws. USAID also works to strengthen political parties in message development, citizen responsiveness, and outreach. For example, prior to the 2004 referendum and local elections, USAID worked with political parties to train party-affiliated election observers from both sides in the rules and regulations associated with electoral events. During the elections of 2004, USAID also supported the institutionalization of a non-partisan, domestic electoral observation organization that is widely viewed as credible and non-partisan.

Other Challenges for the Future

In addition to the aforementioned, other areas of concern in the Hemisphere are Peru, Ecuador and gang violence in Central America.

Peru

On June 4, 2006 Peru elected Alan Garcia as president. President-elect Garcia bested the one time front runner and primary leader, Ollanta Humala. The elections in Peru were reported to be free and fair and almost no violence was reported.

USAID supported Peru's 2006 election cycle by encouraging broad debate on key reform issues, promoting access to candidate information and increasing transparency of the election process. Elections for regional, provincial and district officials will be held in November of this year.

Ecuador

Consolidating democracy continues to be a challenge in Ecuador, which has seen seven presidents over the last decade. Former President Lucio Gutierrez was ousted by the legislature in April 2005. This year, both the introduction of a new hydrocarbons law featuring high taxation rates and the expropriation of assets of the U.S. oil firm Occidental Petroleum, have created major uncertainties regarding the future of Ecuador's key hydrocarbons sector. Weak institutions, the inability of Ecuadorians to arrive at a consensus on key reforms, and an unrepresentative government continue to be major threats to a stable democracy. This instability is exacerbated by pervasive and growing corruption. Presidential and legislative elections will be held in October 2006, and there currently is no clear frontrunner for president. These elections will provide a window of opportunity to shape future policies and reforms.

USAID is intensifying efforts to work with civil society to promote democracy, advance political reforms, and provide election support to ensure vulnerable groups such as youth, women, indigenous and Afro-Ecuadorians can participate fully in the electoral process. The programs with civil society promote poverty reduction activities for micro and small enterprises, improve competitiveness, strengthen financial sector services, and support oversight of the government's fiscal and tax management.

Additionally, USAID support for democratic local governance and decentralization is having a positive impact on citizen trust in local government. Nationwide, citizen confidence in municipal governments increased from 46.7 percent to 51.4 percent from 2001 to 2004. In the 21 surveyed municipalities where USAID has been working, citizen satisfaction with their local governments improved, reaching 53 per cent satisfaction in 2004. The assistance USAID has provided to municipalities through its democracy and Northern and Southern border programs has been instrumental in strengthening Ecuadorians belief that democracy can indeed deliver concrete benefits.

Crime and Gang Violence

Finally, I would like to note USAID's increasing engagement on the issue of gangs and crime in Central America and Mexico. When Central Americans are polled about their primary fears, personal security and neighborhood safety are the most common concerns, and gangs are often cited as the reason for high rates of crime and violence in their communities. USAID-funded

public opinion surveys in Latin America reveal that victims of crime have less confidence in democratic institutions. In addition, in many countries, a high level of crime provides the strongest justification in people's minds for a military coup.

It is very clear that gang violence poses a direct threat to security, economic growth, and democratic institutions in Central America and Mexico, and it spills across borders to affect our own communities in the United States as well. Gang violence is now a transnational phenomenon and most analysts believe that communication between gang members in different countries is increasing.

USAID efforts to reduce crime are closely linked to a need to strengthen and reform justice systems; increase the effectiveness and accountability of the police; and improve relations between police and the communities they serve. To this end, USAID supports a community-based policing program in El Salvador, an innovative community crime prevention program in Guatemala, and justice sector reform efforts throughout the region.

USAID also completed a comprehensive assessment of gangs in El Salvador, Guatemala, Honduras, Nicaragua and Mexico. The report analyzes the root causes of gangs; examines the transnational and regional characteristics of the phenomenon; identifies best practices in the assessment countries and the United States; and recommends opportunities wherein the U.S. Government can best address the gang problem in the assessment countries from a policy and programmatic standpoint.

The report shows that effectively halting the spread of gang violence in the long term will require a combination of prevention, intervention, and law enforcement approaches. To date, countries have largely responded by increasing investments in law enforcement, with much less attention to prevention and intervention. This imbalanced approach has not been successful as crime levels have not gone down. USAID, in collaboration with other federal Agencies and stakeholders, is uniquely positioned to address prevention and intervention aspects, and is currently looking to do so by supporting policies and community-based programs that address the root causes of youth gang proliferation in El Salvador, Guatemala and Honduras.

Conclusion

USAID is promoting reforms that will help consolidate Latin America's young democracies and bring about sustainable, broad-based economic growth. Given the trends and challenges in our hemisphere, USAID will strengthen its focus on rising crime and gang violence; poor governance and impunity at the highest levels; and poverty and inequality. USAID will help address the underlying causes of gang involvement via prevention and intervention activities. Additionally, USAID will strengthen government institutions by providing electoral assistance and implementing programs that focus on decentralization, good governance, justice sector reform, and anticorruption. We will also work with civil society to achieve improved civic responses for better governance, inclusion, transparency, and accountability for all people regardless of status. Finally, USAID will work to reduce poverty and inequality by promoting economic prosperity through job creation, employment expansion, and economic growth.

Latin America's challenges to securing democracy will not be met with short-term solutions. In fact, they will require a long-term, sustained, and collaborative effort on behalf of U.S. government agencies in collaboration with host-country governments. Fortunately, this work is already underway. Honduras, Nicaragua and Paraguay have agreements with the Millennium Challenge Corporation, and free trade agreements have been signed with Mexico, Central America, the Dominican Republic, Colombia, and, most recently, Peru. By collaborating with host country governments and other U.S. government agencies, USAID is helping implement effective multisectoral measures that reduce corruption, strengthen public institutions and build local capacity. We can – and will – have an impact.

Mr. Chairman and Members of the Committee, thank you for the opportunity to appear before you today. I welcome any questions that you may have.